

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



Division of Integrated Health System

Ms. Linda K. Wertz
Deputy Commissioner for Medicaid and CHIP
Texas Health and Human Services Commission
Post Office Box 13247
Austin, TX 78711

Dear Ms. Wertz:

This is to inform you that I am approving Texas' request for the renewal of the LoneSTAR Select I waiver program in which the State selectively contracts for general acute care inpatient hospital services. I am also approving the Texas' modification request to combine the LoneSTAR Select I program with the LoneSTAR Select II waiver program which selectively contracts for psychiatric inpatient hospital services. The LoneSTAR Select I and II waiver program is authorized under Section 1915(b)(4) of the Social Security Act (the Act).

I have based my decision on the submitted evidence showing that the State's proposed waiver program is consistent with the purpose of the Medicaid program, will improve beneficiary access, maintain quality of care, and will be a cost-effective means of providing Medicaid services to Texas Medicaid beneficiaries.

We understand the reasons for combining these two waiver programs (ease of administration and of requesting renewals). However, since the Select II program is slightly cost-effective while the Select I program is very cost effective, by combining the two programs, we are concerned that Select II may need to use Select I savings in the future to remain cost-effective. As such, we are requiring some terms and conditions in this approval letter to assure that if Select II needs to use savings from the Select I program, it is properly identified and justified to CMS. The following terms and conditions apply to the consolidated Select I and II program.

1. The State should monitor and document cost-effectiveness of the Select I and II programs separately so that it can identify that Select II may not be cost effective.
2. The State should inform the CMS, Dallas Regional Office if the Select II will need to use Select I savings to remain cost-effective.

3. The State should explain why it believes Select II should be allowed to use Select I savings for a specified time period.

Texas is no longer required to arrange for an independent evaluation with respect to the program's cost-effectiveness, access to care, and quality of services unless significant problems are identified in the future. However, the State will continue to be responsible for documenting the cost-effectiveness for both the past waiver period and the 2-year renewal period, access and quality factors in subsequent renewal requests, but will be relieved from arranging for an independent evaluation (IE). Since much of the State's monitoring results demonstrating proper access and quality of services under the waiver were based on the independent analysis, we are also requiring another condition that the State continue the access and quality monitoring conducted under the IE to document access and quality in subsequent renewal requests along with the State's monitoring.

Texas' request for a waiver of Sections 1902(a)(1) and 1902(a)(23) of the Act is approved for a two-year period beginning on September 4, 2002 and ending on September 3, 2004. This approval will allow the State to continue contracting selectively with hospitals providing non-emergency inpatient services and free standing psychiatric hospital services, thereby improving the State's ability to continue to act as a prudent purchaser of services and to manage the Medicaid program in a more effective and efficient manner.

I wish you continued success in the operation of this program for Medicaid beneficiaries in Texas.

Sincerely,

Mike Fiore, Director
Division of Integrated Health Systems

cc: Mike Jones, Dallas Regional Office